



# County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

June 10, 2008

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

## **APPROVAL OF AMENDMENT TO CONTRACT FOR LONG-TERM DISABILITY, SURVIVOR BENEFIT, AND SHORT-TERM DISABILITY CLAIM ADMINISTRATION SERVICES (ALL DISTRICTS) (3 VOTES)**

### **SUBJECT**

This Amendment increases the Maximum Contract Sum for Sedgwick Claims Management Services, Inc., by \$60,000, necessitated by an unanticipated increase in third party claim administrator (TPA) workload resulting from revisions to the *Los Angeles County Code* relating to the County of Los Angeles (County) Long-Term Disability (LTD) and Survivor Benefit (SB) plans. The additional work includes review of LTD claim payments made during the November 2006 through October 2007 period and appropriate adjustments to those payments, as necessary. The Amendment also requests authority to execute future contract amendments to increase the Maximum Contract Sum by no more than 10 percent, if additional TPA services are required to comply with changes in Federal, State of California (State), or County requirements.

### **IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Chair to execute the attached Amendment to the contract with Sedgwick Claims Management Services, Inc. (Sedgwick), contract No. 75951, for the provision of LTD and Short-Term Disability (STD) claim administration services, to increase the Maximum Contract Sum by an amount not to exceed \$60,000.

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

2. Delegate authority to the Chief Executive Officer (CEO) to execute future contract amendments to increase the Maximum Contract Sum by no more than 10 percent, if additional and necessary TPA services are required to comply with any changes in Federal, State, or County requirements, upon approval as to form by County Counsel.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On November 28, 2006, your Board adopted Ordinance No. 2006-0084, that revised the *Los Angeles County Code*, Title 5 - Personnel, and Title 6 - Salaries, relating to Fringe Benefits and Salary, by amending the County's LTD and SB plans. The Ordinance changed the manner in which LTD claimants' accrued time is offset and applied to LTD and SB claim payments.

Prior to the Ordinance change, on May 25, 2006, the County released a Request for Proposals to provide LTD, SB, and STD claim administration services. Proposals were due on July 31, 2006; the County concluded negotiations and finalized a contract with Sedgwick in late October 2006. On December 5, 2006, your Board approved the contract.

Because the solicitation process had been completed prior to the Ordinance change, the final contract did not include the tasks which are necessary to implement the Ordinance provisions. The proposed amendment will ensure that these changes are implemented.

#### **Implementation of Strategic Plan Goals**

The recommended action is consistent with the County's Strategic Plan Goal 4, Fiscal Responsibility.

#### **FISCAL IMPACT/FINANCING**

The one-time cost to review and possibly adjust LTD claim payments will not exceed \$60,000. Funding is available in the current Fiscal Year 2007-08 LTD budget, and will also be included in the Fiscal Year 2008-09 LTD budget, if necessary.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

This Amendment has been approved as to form by County Counsel.

The Honorable Board of Supervisors  
June 10, 2008  
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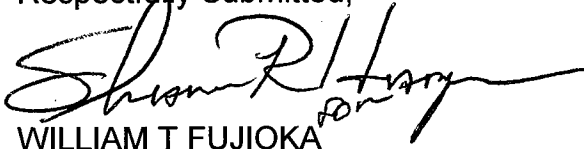
**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended actions will ensure uninterrupted LTD claim administration services and appropriate reconciliation of LTD claim payments.

**CONCLUSION**

Upon approval by your Board, please return two signed, original Amendments and one adopted copy of this letter to the CEO Risk Management Branch for further processing.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "William T. Fujioka", with a stylized flourish at the end.

WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:ES  
RAA:DU:tv

Attachment

c: County Counsel  
Auditor-Controller

**CONTRACT FOR THE PROVISION OF THIRD-PARTY LONG-TERM DISABILITY,  
SURVIVOR BENEFIT, AND SHORT-TERM DISABILITY CLAIMS ADMINISTRATION  
SERVICES WITH SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.  
(Contract No. 75951)**

**AMENDMENT NO. 1**

**WHEREAS**, on January 1, 2007, the County of Los Angeles, hereinafter "COUNTY," entered into a contract with Sedgwick Claims Management Services, Inc., hereinafter "CONTRACTOR," for Long-Term Disability (LTD), Survivor Benefit (SB), and Short-Term Disability (STD) Claims Administration Services; and

**WHEREAS**, on November 28, 2006, the COUNTY Board of Supervisors adopted Ordinance No. 2006-0084, which amended the County Code, Title 5 – Personnel, by amending the LTD and SB plans, which now require unanticipated, additional workload be undertaken by the CONTRACTOR; and

**WHEREAS**, Section 8.4.2, "Change Notices and Amendments" of the aforementioned contract requires that revisions, which affect the scope of work, term, Contract Sum, or payments be prepared and executed by the CONTRACTOR and by the COUNTY Board of Supervisors; and

**NOW, THEREFORE**, it is agreed between the parties that the contract shall be modified as follows:

**I. EXHIBIT A, STATEMENT OF WORK, SECTION I – LONG-TERM DISABILITY, shall be amended to include the following new paragraph:**

**9. RECALCULATIONS DUE TO COUNTY CODE CHANGE PER ORDINANCE NO. 2006-0084**

- 9.1 Identify all LTD claims that were paid from November 2006 through October 2007, which had offsets taken for cash or other compensation resulting from any COUNTY contribution to a COUNTY-sponsored cafeteria benefit plan, accrued sick leave, vacation, annual leave, or other accrued time.
- 9.2 Once identified, CONTRACTOR shall recalculate the claim, issue a refund check, and/or make the necessary adjustments to process the claim in accordance with the new LTD plan rules adopted by the COUNTY Board of Supervisors, and in the manner agreed upon by the COUNTY and the CONTRACTOR.

**II. EXHIBIT A, STATEMENT OF WORK, SECTION II – SURVIVOR BENEFIT, shall be amended to include the following new paragraph:**

**8. RECALCULATIONS DUE TO COUNTY CODE CHANGE PER ORDINANCE NO. 2006-0084**

- 8.1 Identify all SB claims, paid between November 2006 through April 2007, which had offsets taken for cash or other compensation resulting from any COUNTY contribution to a COUNTY-sponsored cafeteria benefit plan, accrued sick leave, vacation, annual leave, or other accrued time.

75951 Supplement No. 1

8. Recalculations Due to County Code Change per Ordinance No. 2006-0084  
(continued)

8.2 Once identified, recalculate claim in accordance with the new SB Plan rules adopted by the COUNTY Board of Supervisors, and issue a refund check to the employee's eligible survivor.

III. **EXHIBIT B, PRICING SCHEDULE, shall be replaced in its entirety and replaced with the attached Exhibit B, Pricing Schedule.**

IV. **Except for the changes set forth herein, all other terms and conditions of the contract shall remain the same.**

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment No. 1 to be executed on its behalf by its duly authorized officers, effective upon approval by the COUNTY Board of Supervisors.

**SEDGWICK CLAIMS MANAGEMENT  
SERVICES, Inc.**

**COUNTY OF LOS ANGELES**

By: *Jeff Glatstein*  
Name: JEFF GLATSTEIN  
Title: CORPORATE COUNSEL

By: *George B. Bunker*  
Chair, Board of Supervisors

**ATTEST:**

SACHI A. HAMAI  
Executive Officer  
Board of Supervisors



I hereby certify that pursuant to  
Section 25103 of the Government Code,  
delivery of this document has been made.

SACHI A. HAMAI  
Executive Officer  
Clerk of the Board of Supervisors

By: *Barbara Delana*  
Deputy

By: *Barbara Delana*  
Deputy

**APPROVED AS TO FORM:**

RAYMOND G. FORTNER, JR.  
County Counsel

By: *Raymond G. Fortner, Jr.*  
Principal Deputy County Counsel

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

# 11

JUN 10 2008

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER



**PRICING SCHEDULE  
CONTRACTOR RATES**

PROGRAM	MONTHLY FEE PER PROGRAM					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4*	YEAR 5*	YEAR 6*
<b>LTD</b>	<b>\$78,587</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
<b>SB</b>	<b>\$5,194</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
<b>STD</b>	<b>\$11,586</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>

\* Optional years 4, 5, and 6 by mutual agreement of the parties.

**\*\* Contract years Two, Three, Four, Five, and Six**

The contract yearly amount may be adjusted annually based on the increase or decrease in the U. S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index for the Los Angeles-Riverside-Orange County Area for the most recently published percentage change for the 12-month period preceding the contract anniversary date, which shall be the effective date for any cost-of-living adjustments. However, any increase shall not exceed the general salary movement granted to County employees as determined by the Chief Executive Office, as of each July 1 for the prior 12-month period. Furthermore, should fiscal circumstances ultimately prevent the Board of Supervisors from approving any increase in County employee salaries; no cost-of-living adjustments will be granted.

ONE TIME FEE FOR:	
RECALCULATION OF CLAIM BENEFITS DUE TO COUNTY CODE CHANGE PER ORDINANCE NO. 2006-0084	<b>\$60,000</b> <b>Maximum</b> <b>Sum</b>